

Public safety and judicial expenditures increased \$176,798,000 or 16.6% primarily because of the reclassification of Department of Juvenile Justice expenditures from general government to public safety and judicial.

Expenditures for housing and community development increased \$13,297,000 or 19.8% over the previous year as a result of adding a new division of neighborhood revitalization.

Expenditures for agriculture declined \$4,872,000 or 11.3% from the previous year primarily because of decreases in expenditures for agricultural land preservation.

Intergovernmental expenditures increased \$97,208,000 or 14.8% over 1996 primarily due to the reclassification of public safety grants to subdivisions from general government.

Operating transfers in, to the general fund, from capital projects and enterprise funds (State Lottery Agency, Economic Development-Insurance Programs, and Economic Development-Loan Programs) and the proprietary component unit (Maryland Industrial Development Financing Authority) totaled \$400,883,000. This represents an increase of \$7,905,000 over the previous year due primarily to increases in the lottery and economic development insurance and loan programs. Operating transfers out, from the general fund, to capital projects, enterprise funds, and higher education and proprietary component units totaled \$768,038,000. This represents an increase of \$13,703,000 over the previous year due primarily to increased funding for higher education.

The fund balance for the general fund at June 30, 1997 was \$1,059,063,000 representing an increase of \$298,662,000 over the previous year's balance. The reserved general fund balance at June 30, 1997 was \$865,377,000 which represents an increase of \$54,934,000 over the prior year. The unreserved fund balance was \$193,686,000 which represents an increase of \$243,351,000 over the previous year's balance.

Management of financial resources is exercised through the legally mandated budgetary system of the State. The budgetary general fund balance at June 30, 1997, reflected a total fund balance and undesignated balance in the amounts of \$837,778,000 and \$62,687,000 respectively. For information on differences between GAAP and the budgetary system, see footnote 3 to the general purpose financial statements.

The special revenue unreserved fund balance of \$254,789,000 increased \$75,756,000, from the preceding year. The debt service unreserved fund balance of \$96,338,000 decreased \$23,678,000 from the previous year.

CAPITAL PROJECTS FUND

Proceeds of general obligation bond issues are accounted for in the capital projects fund. Completed projects and uncompleted construction in progress at year end, which are assets of the State, are capitalized in the general fixed assets account group, the appropriate enterprise fund for self-supporting projects or the component units fund types. During fiscal year 1997, State projects costing \$52,944,000 were completed. State grants for capital projects of local governments and other public organizations amounted to \$283,143,000 in the fiscal year, an increase of \$5,186,000 over 1996.

Authorized but unissued general obligation bonds at June 30, 1997 totaled \$1,124,656,000.

GENERAL FIXED ASSETS

The general fixed assets of the State are those used in the performance of general governmental functions and exclude the fixed assets of the proprietary fund type and the component units. As of June 30, 1997, the general fixed assets of the State amounted to \$9,597,437,000. This amount represents the actual or estimated cost of the assets. Depreciation of general fixed assets is not recognized in the State's accounting system. Infrastructure assets (excluding Maryland Transportation Authority), consisting principally of highways, roads, and bridges, are not recorded in general fixed assets.

ENTERPRISE, FIDUCIARY AND COMPONENT UNIT FUNDS

All enterprise funds with the exception of the Economic Development — Insurance Programs reported an increase in retained earnings for the year ended June 30, 1997. The Insurance Programs reported a decrease of \$16,085,000 in retained earnings. Retained earnings for enterprise funds increased during 1997 by \$70,386,000, of which, \$38,697,000, was the result of the cumulative effect of the accounting change for investments, compared to an increase of \$36,863,000 in fiscal year 1996.